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SPECIAL REPORT

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June 2, 1988

TIME TO REVISE SCHOOL BUDGET AND FUNDING STRATEGY

The School Committee should reduce its fiscal 1989 budget to \$350 million. This figure, set by Mayor Flynn on April 7, 1988, is influenced more by fiscal 1990 and subsequent years than the City's ability to pay next year. Expected increases in collective bargaining, debt service and solid waste costs and the uncertainty of hospital funding and state aid are good reasons for real concern about fiscal 1990 and beyond. Departmental spending must be carefully managed and kept within the limits of expected revenue growth. The \$350 million budget limit has required school officials to more critically evaluate how services are delivered and to develop imaginative approaches to providing needed programs within the base budget. This process is not easy but it is necessary and will benefit the school system in future years.

This year's school budget scenario should not be repeated. The Mayor, School Committee and Superintendent should collaborate on a multi-year funding strategy that offers the School Department a reasonable expectation of anticipated growth in city revenues. Effective long-range planning depends upon some certainty of future funding. A strategy should be developed this fall to address school consolidations, collective bargaining and transportation issues. Over two million square feet is under utilized in Boston schools. Consolidation will produce both programmatic and financial benefits. Next year is the last year of the Boston Teachers Union (BTU) contract. This contract can be the vehicle which drives educational reform. Decisions on these and other issues must be made within a financial framework developed in cooperation with City Hall.

FIVE YEAR BUDGET HISTORY

In the five years from fiscal 1984 through fiscal 1989, both city and school spending will have increased by the same rate. This assumes that fiscal 1989 spending will be equal to the Mayor's budget recommendations and that spending of non-discretionary, categorical state and federal funds is not included. As shown in the table below, the rate of increase for school and city departmental spending differs each year, but over the five-year period both increased by the same 48.1%. That represents an average rate of increase of 8.2% per year. At \$350.0 million, discretionary school spending will have increased by \$113.6 million or 48.1% since fiscal 1984. At \$663.5 million, city, county and hospital departmental spending will have increased by \$215.4 million or 48.1%.

CITY/COUNTY AND SCHOOL DEPARTMENT OPERATING COSTS
\$'s in Millions

Category	Actual							Estimated Actual		Budget		% Incr
	FY 84	FY 85	% Incr	FY 86	% Incr	FY 87	% Incr	FY 88	% Incr	FY 89	% Incr	FY 84-89
General City (1)	\$313.5	\$316.5	1.0%	\$342.0	8.1%	\$392.6	14.8%	\$438.5	11.7%	\$466.7	6.4%	48.9%
Health & Hospitals	114.6	116.6	1.7%	129.0	10.6%	140.8	9.1%	157.5	11.8%	167.3	6.2%	45.9%
County	20.0	20.3	1.5%	22.3	9.9%	25.1	12.6%	28.2	12.2%	29.5	4.8%	47.6%
Total City/County	\$448.1	\$453.4	1.2%	\$493.3	8.8%	\$558.5	13.2%	\$624.1	11.7%	\$663.5	6.3%	48.1%
School (2)	\$236.4	\$257.7	9.0%	\$272.0	5.5%	\$300.8	10.6%	\$328.5	9.2%	\$350.0	6.5%	48.1%

(1) Departmental expenditures net of Tax Title, Audit, Debt Service, Pensions and other Mandatory Appropriations.

(2) Includes other sources of discretionary spending, ie., Impact Aid, EEO Funds, Prior Year Reserves and Carry Forwards.

CURRENT BUDGET STATUS

Starting with a gap of \$14.6 million between the School Committee's \$364.6 million budget recommended to the Mayor on April 5, 1988, and the Mayor's \$350.0 million limit, the Committee, in three sessions, has reduced its budget to \$354.7 million and the gap to \$4.7 million. At \$350.0 million, the average cost per pupil is approximately \$6,000. The school budget at \$350.0 million represents a 6.5% increase over the School Department's estimate of current year spending. That compares with a 6.3% increase in the operating budgets of municipal agencies.

RECOMMENDATIONS

- 1) The School Committee should reduce its current fiscal 1989 budget by \$4.7 million from \$354.7 million to \$350.0 million. The Mayor's \$350.0 million recommendation has forced the School Committee to more critically evaluate programs and to seek more efficient methods of providing needed services within the base budget. To date, the Committee has approved cuts of \$9.9 million from the budget it submitted to the Mayor. Additional reductions should be implemented before July 1, 1988. The Committee has chosen to limit its options by voting not to lay-off tenured teachers. The notification deadline is now past, precluding the lay-off of tenured teachers any time next year. The Committee also has rejected several other recommendations made by the Superintendent. The Committee should reconsider some of these recommendations, such as the elimination of new special education bus monitors and direct the Superintendent to further identify other cost cutting initiatives.
- 2) This year's budget scenario should not be repeated next year. The Mayor, School Committee and Superintendent should collaborate on a multi-year funding strategy that offers the School Department a reasonable expectation of anticipated growth in city revenues. While the revenue estimate cannot be an absolute figure, it can be a measure of support relative to other city agencies such as the Police Department or an agreed upon share of incremental annual revenues. Tied to this formula, the Mayor each year should provide the School Committee with an updated estimate of available resources early in the budget cycle. The School Committee would then be given the financial parameters needed to properly plan for the next school year.
- 3) Future collective bargaining agreements will affect school spending more than any other single factor. The current three-year BTU contract will cost the City approximately \$76 million through August 31, 1989. Equally important, the BTU contract and other collective bargaining agreements can be the vehicles which drive educational reform. Next year is the last year of the three-year contracts with the teachers, school administrators, custodians and clerical workers. The School Committee this fall should develop the conceptual framework within which the next round of negotiations will take place. Implementation of system-wide objectives such as school based management, performance accountability and staff development should be negotiated within already determined financial guidelines.
- 4) The School Committee should begin this fall to develop a school consolidation plan that would result in some school closings in fiscal 1990. The Committee's claim that the new student assignment plan will impact any decision on school closings is valid, but should not be used to delay planning. The City's own study on school utilization, the Jorgensen Associates' report, estimates that there are at least 2.1 million square feet of excess capacity in the school system, resulting in added maintenance costs. Operating too many school buildings also means that some middle and high schools are not able to offer a comprehensive curriculum. Thus, consolidation will produce both programmatic and financial benefits for the system.
- 5) The Superintendent and the Committee should explore new and innovative ways of transporting students to further reduce the current \$23.6 million transportation budget. The Committee's vote to place middle and high school students on the MBTA, if fully implemented next year, will dramatically change future requirements. The current transportation contracts expire on August 31, 1989. The Superintendent should begin to develop alternatives to the current system this fall.